Replaced by FmHA AN No. 2211 (1951) January 25, 1991

United States Department of Agriculture

Farmers Home Administration

Washington D.C. 20250

FmHA AN No. 2104 (1951)

June 20, 1990

SUBJECT: FmHA Program Management and Servicing Goals Through June 30, 1991

TO: All State Directors

Purpose/Intended Outcome

This AN establishes goals for FmHA's loan and grant servicing and loanmaking activities for the period July 1, 1990 - June 30, 1991. It also sets forth specific lending and servicing policies for FmHA's various loan programs. These goals and policies represent a quasi contract between the National Office and the State Offices for management activities and evaluating a State's performance.

Comparison with Previous AN

This AN replaces FmHA AN 1994 (1951) dated October 13, 1989, and AN 2036 (1951) dated January 9, 1990, both of which expire on September 30, 1990.

Implementation Responsibilities

State Directors and Program Chiefs should immediately review the goals which have been set and make plans for training, implementing, and measuring the results of these efforts. This should be done using management plans, training schedules, performance elements and standards, and awards.

Management

Managers at all levels within FmHA face a formidable task to implement policies and programs under rapidly changing conditions while facing many internal and external constraints. To meet this challenge, each manager must make optimum use of human resources, information and programs. This involves making a statement of goals, taking actions to meet those goals, and evaluating results against goals. In planning to meet the challenge, there are three areas that should be given special attention: credit quality, guaranteed programs and graduation.

Credit quality is the first step in assisting applicants and borrowers to successfully reach their objectives. All credit decisions must be based on realistic budgets and sound financial planning.

EXPIRATION DATE: June 30, 1991

FILING INSTRUCTIONS: Preceding FmHA Instruction 1951-A

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Guaranteed loans are an excellent tool that can be used to ensure that adequate financing is available in rural areas. We have been given additional guaranteed funding for the Community Facility and Water and Waste Disposal Programs for fiscal year 1990 and, as you know, the fiscal year 1991 budget proposes additional guarantee authority in all program areas. Therefore, we must diligently continue our efforts to expand the use of guaranteed lending programs.

Graduation is a major part of FmHA credit management. Our objective is to have as many borrowers as possible move to private credit.

Servicing and Supervision

These functions will continue as a priority in program management. Very good progress in reducing delinquency has been made and recognition is acknowledged for those people in the County, District, and State Offices showing such improvements. The Discount Purchase Program, graduations, and the continuing process of substitutions for the portfolio sales have dramatically changed the complexion of the caseload to be serviced. However, we expect State Directors to make even further delinquency reductions in most program areas by making the most effective and efficient use of personnel resources and approved contracting services. FmHA has a loan portfolio of $58 billion, with $8.5 billion being delinquent as of March 30, 1990. Proper loan servicing also means proper credit management, which includes borrower counseling, proper accounting for security property, financial analysis, interest credit renewal, and consideration for graduation.

Credit Management

The use of effective credit management practices is a high priority. Credit management tools used in the loan approval process, account servicing, and delinquent debt collection have helped to reduce or stabilize the delinquency rates in all programs. Many of the credit management initiatives already implemented or being implemented represent a new way of doing business for FmHA. State Directors shall ensure that sound credit management practices are followed, existing debt collection tools are utilized, and newly authorized practices are implemented. The goals have been designed to encourage flexibility and innovation in the State Director's development of credit management systems within each State.

Property Management

The steady reduction in the number of houses in inventory is recognized as an achievement of good planning, management, and continued sales efforts. However, more attention to the physical maintenance of single family inventory dwellings is needed to assure they do not detract from the neighborhood. FmHA estimates approximately 5000 farms totaling over one million acres will be in inventory. We must carefully manage and sell these properties in accordance with FmHA Instructions 1955-B and 1955-C. Particular attention must be given to complete and timely environmental reviews.

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Loanmaking

Each State Director is expected to manage available program funds, personnel resources, and approved contract services in line with sound loanmaking practices to provide financial assistance in rural areas as necessary to carry out USDA rural development initiatives. In order to maintain our position of leadership in rural development, all program authorities, insured and guaranteed, must be utilized to their fullest.

Guaranteed Farmer Program loans will help ensure that adequate financing is available to farmers and that the private sector is actively involved. Housing loans for low and very low income families and loans for well designed and located rental properties serving all segments of the lower income population will make a balanced contribution to rural America.

Goals

The program management and servicing goals in the attachments listed below set forth the Agency's priorities:

Attachment	Program
A	Farmer Programs
B	Single Family Housing
C	Multiple Family Housing
D	Community Programs
E	Business and Industry Loans

Conclusion

We will monitor your progress in achieving the established goals. We expect you to monitor the activities of the offices in your State to identify problem areas, and to take appropriate action to resolve the problems so Agency goals and the Administration's policies can be achieved.

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LA VERNE AUSMAN
Administrator

Attachments

FARMER PROGRAMS MANAGEMENT AND SERVICING GOALS THROUGH JUNE 30, 1991

INTRODUCTION

Goals are an important tool in accomplishing program objectives. We are making progress in our objectives but we must continue to emphasize those objectives that reduce program costs and, at the same time, work with those people who are experiencing temporary financial difficulty. Emphasis must be placed on the following objectives:

1) Credit quality control.

2) Reduce costs of providing credit (guaranteed loans).

3) Obtain maximum use of private sector credit.

4) Timely resolution of delinquent accounts.

5) Automated Farm and Home Plan.

6) Reduce costs of handling inventory property.

7) Provide maximum opportunity to Socially Disadvantaged groups to become successful farmers.

OBJECTIVE: CREDIT QUALITY CONTROL

GOAL: State Directors will establish a credit quality control program for both insured and guaranteed loan. Control programs will specifically determine whether or not:

1. A feasible plan has been prepared. For insured loans, a feasible plan is defined in FmHA Instruction 1924-B. For guaranteed loans, a feasible plan is defined in FmHA Instruction 1980-B. FmHA Instruction 1980-B, Exhibit D, III.C., defines feasible plan (positive cash flow) under the Interest Rate Buydown Program.

FmHA Instruction 1941-A defines feasible plan for delinquent borrowers who are applying for an annual production loan.

2. Income, expense and yield projections must be documented as provided for in FmHA Instruction 1924-B.

3. A complete year-end analysis must have been performed as set forth in FmHA Instruction 1924-B.

MEASUREMENT: Goal accomplishment will be measured by the National Office post reviewing loan files and CAR docket reviews for those states scheduled for CAR reviews. The credit quality index will be 90 percent compliance with National Office criteria, which is attached as Exhibit A for Credit Quality Insured Docket Review and Exhibit B for Credit Quality Guarantee Docket Review.

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OBJECTIVE: REDUCE COSTS OF PROVIDING CREDIT (GUARANTEED LOANS)

The primary objective is to assist FmHA applicants/borrowers in obtaining credit from private credit sources. Farmer Programs credit policy for FY 1990 will continue to emphasize guaranteed loans.

GOAL: Increase the percent of guaranteed loans made for Operating Purposes (OL) and for Ownership Purposes (FO). States with FY 1990 levels from 68 through 72 percent are requested to increase their level to 73 percent. States with a percentage of more than 73 percent are expected to maintain their FY 1990 levels. States with a percentage of less than 68 percent are expected to increase their FY 1991 levels by at least 5 percent.

PERFORMANCE MEASUREMENT: Goal accomplishment will be measured by using RC 205 and FmHA Instruction 1940-L. Outstanding lines of credit will be counted as a loan made.

OBJECTIVE: OBTAIN MAXIMUM USE OF PRIVATE SECTOR CREDIT

GOAL: Move by June 30, 1991, 75 percent of the borrowers who are classified standard or commercial quality to private sector credit.

MEASUREMENT: Goal accomplishment will be determined from the total number of borrowers who are classified as standard or commercial quality by the Finance Office on June 30, 1990. NOTE: THIS WILL BE A SPECIAL REPORT GENERATED BY THE FINANCE OFFICE.

OBJECTIVE: TIMELY RESOLUTION OF DELINQUENT ACCOUNTS

It has been brought to our attention that there are many farm borrowers who have delinquencies of less than $1000. Every effort must be made to collect these accounts.

GOAL: Eighty percent of the borrowers who have received the required delinquency notice (Exhibit A, Attachment 1 or 3 of 1951-S), and whose accounts could not be resolved through Primary Loan Servicing, will be processed through net recovery buyout, acceleration, debt settlement or preservation servicing.

MEASUREMENT: Goal accomplishment will be measured by a State by State comparative analysis of Report 540 as of the dates June 1990 and June 1991 and SENT reports.

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OBJECTIVE: AUTOMATED FARM AND HOME PLANS

GOAL: All borrowers who receive an insured loan, subordination or have their debt restructured between July 1, 1990, and June 30, 1991, will have their Farm and Home Plan automated and in the case file as part of the decision documentation.

MEASUREMENT: This is a self-reporting measurement and will be accomplished as follows. Type the following at the Unix prompt: cd^/usr/sp_datafiles/fhp. Hit return and then type ls^-l^|^lp.

The County Office must compare the number of borrowers listed by the computer as having computerized plans with the number of borrowers who received insured loans, subordinations of FmHA security and/or debt restructuring during the goal period. ENTER INTO THE COMPUTER MEANS A COMPLETE PLAN WILL BE ENTERED AND BE AVAILABLE FOR ANALYSIS AND PLANNING.

OBJECTIVE: REDUCE THE COST OF HANDLING INVENTORY PROPERTY

GOAL: Reduce the annual cost of handling inventory property by 50 percent.

MEASUREMENT: Goal accomplishment will be determined by using the inventory property report, taking into consideration the number of acres in inventory and average holding time on June 30, 1990, and the number of acres in inventory and average holding time of June 30, 1991. Holding costs will be considered to be $60 per acre per year.

All measurement will be adjusted to compensate for leaseback/buyback rights, leases, appeals, and environmental issues.

Properties leased under the leaseback/buyback program will not be counted against the goal. Also, appeals and environmental issues affecting properties as of April 1, 1991, will not be counted against the goal, as sufficient time would not be available to market such properties by June 30, 1991.

Leasing of inventory farms will be limited to leaseback/buyback borrowers, socially disadvantaged participants and where it is clearly in the financial interest of the Government.

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OBJECTIVE: PROVIDE MAXIMUM OPPORTUNITY TO SOCIALLY DISADVANTAGED GROUPS TO BECOME SUCCESSFUL FARMERS

GOAL: (1) Select and target inventory farms.

(2) Sell or lease at least 80 percent of the targeted farms to SDA groups.

(3) Obligate at least 90 percent of FO funds allocated to SDA groups.

(4) Make use of the guaranteed loan program to the maximum extent practicable.

MEASUREMENT: Goal accomplishment will be measured by using RC 205, and the semi-annual report on credit sales of targeted inventory property.

NOTE: LOANS ARE EXPECTED TO BE MADE ONLY WHEN A FEASIBLE PLAN CAN BE PROJECTED. THIS WILL BE MONITORED BY NATIONAL OFFICE POST REVIEW OF LOAN FILES.

Name ______________________________
State ______________ Reviewer's Name ______________
Borrower's Case No. __________ Date ______________

Checklist for
FPLMD Credit Quality
Insured Docket Review
EM, FO, SW, and OL Loans

Yes/No 1. Were all debts to be paid, planned expenses, capital expenditures and planned income included in the Farm and Home Plan?

Yes/No 2. Was a feasible plan projected at the time of loan approval?

A feasible plan is defined in FmHA Instruction 1924-B, Section 1924.57(c)(5). FmHA Instruction 1941-A, Section 1941.14(a)(5) defines what is required for annual production loans to delinquent borrowers.

Yes/No 3. Were realistic commodity prices used to develop the Farm and Home Plan?

The source of prices used must be documented in the loan docket and be in accordance with FmHA Instruction 1924-B, Section 1924.57(d)(2).

Yes/No/NA 4. Were realistic commodity/livestock yields used in the preparation of the Farm and Home Plan?

Source of yields used must be clearly documented in loan docket and be in accordance with FmHA Instruction 1924-B, Section 1924.57(d)(1).

Yes/No 5. Were realistic expenses used to develop the Farm and Home Plan in accordance with FmHA Instruction 1924-B, Section 1924.57(d)(1)?

Expense will be based on past performance which is clearly documented in the loan docket and be in accordance with FmHA Instruction 1924-B, Section 1924.57(d)(1).

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Yes/No	6.	Were realistic family living expenses used to develop the Farm and Home Plan?

Expenses will be based on past performance which is clearly documented in the loan docket.

Yes/No/NA	7.	Was a complete yearly analysis performed for insured borrowers as set forth in FmHA Instruction 1924-B, Section 1924.60, including all of the following:

a) Completion of the "actual" columns of Form FmHA 431-2 and Form FmHA 1962-1, and reconciliation of the balances available with debts paid and cash on hand at the end of the year.

b) Recording of the results on Form FmHA 1960-12, "Financial Farm Analysis Summary."

c) Thorough documentation of the analysis in the running case record (i.e., key management problems identified, agreements reached with the borrower for corrective action, and follow-up action required).

If an annual analysis was not required by Section 1924.60(d), the reviewer will answer N/A.

Yes/No/NA	8.	Are appraisals prepared when required and in accordance with prescribed procedures and FmHA Instruction 1941-A, Section 1941.25, FmHA Instruction 1943-A, Section 1943.25(c), FmHA Instruction 1943-B, Section 1943.75(c) and FmHA Instruction 1945-D, Section 1945.175(c)?
Yes/No/NA	9.	Is security adequate for the loan and does FmHA have the proper lien position on chattel and real estate security in accordance with FmHA Instruction 1941-A, Section 1941.19, FmHA Instruction 1943-A, Section 1943.19, FmHA Instruction 1943-B, Section 1943.69, and FmHA Instruction 1945-D, Section 1945.169.

FmHA Instruction 1941-A, Section 1941.19, states that the OL loan must be secured by a first lien on all property or products acquired, produced, or refinanced with loan funds and by any additional security as needed.

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Yes/No 10. Were loan closing requirements met? All FP loans were closed in accordance with the appropriate loan making instructions.

NOTE: If you have answered NO to question #1, DO NOT complete the Credit Risk Factors.

Credit Risk Factors

11. The reviewer will obtain the following financial information from the docket.

A. Total Debts ____________________
B. Total Assets ____________________
Debt to Asset Ratio ____________
C. Total Planned Farm Operation Expenses (Excluding Interest, Rent and Taxes) _______________
D. Interest Expense _______________
E. Rent Expense ____________________
F. Tax Expense ____________________
G. Family Living Expense __________
H. Gross Farm Income ______________
I. Operating Ratio C divided by H ____________
J. Expense/Income Ratio (C+D+E+F) divided by H _____________
K. Interest to income ratio (D divided by H) _______________
L. Non-Farm Income ________________
M. Balance Available for Debt Repayment_______
N. Total Debts to be Paid ___________
O. Cash Flow Margin (M divided by N)-1 _______

NOTE: These figures will be inputted into the tracking system database/spreadsheet and used to complete averages.

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Attachment A, Exhibit A
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REVIEWER:__________________
DATE:______________________

INSURED LOANS
SUMMARY OF DOCKET REVIEW DEFICIENCIES

NOTE TO REVIEWER: All "NO" answers require a detailed explanation of the weaknesses identified. General statements are not acceptable. (Furnish attachments to support findings.)

BORROWER NAME:______________________
CASE NUMBER:________________________
COUNTY OFFICE:______________________

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Name ____________________
State __________ Reviewer's Name __________
Borrower's Case No. ________ Date __________

Checklist for
FPLMD Credit Quality
Guarantee Docket Review

Yes/No 1. Were all debts to be paid, planned expenses, planned capital purchases, and planned income included in the guaranteed lenders cash flow budget and schedule of debts to be paid?

Yes/No 2. Did the lenders cash flow budget show a positive cash flow at the time of loan approval?

A positive cash flow for guaranteed loans is defined in FmHA Instruction 1980-B, Section 1980.106(b)(17). (This includes the requirement for a 10 percent reserve above debts to be paid.) Under the Interest Rate Buydown Program, FmHA Instruction 1980-B, Exhibit D, III. C. defines a positive cash flow as not including the 10 percent debt servicing reserve requirement.

Yes/No/NA 3. For guaranteed borrowers with insured loans, is the financial information and budget provided by the lender consistent with the Farm and Home Plan in the insured docket?

If the borrower does not have insured loans or if the insured loan docket does not contain a current Farm and Home Plan, the reviewer will answer N/A.

Yes/No 4. Were realistic commodity prices used to develop the cash flow budget?

For Non-ALP Guaranteed Loans - The source of prices used must be documented in the loan docket and be in accordance with FmHA Instruction 1980-B, Section 1980.113(d)(8).

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For ALP Guaranteed Loans - The County Supervisor must have documented that he/she has analyzed the budget and that he/she considers the prices used to be realistic for the area and type of commodity. If he/she felt that the prices were not typical the County Supervisor will have required the lender to provide adequate documentation to support prices different from FmHA guidelines (i.e., contracts for delivery, current market prices, etc.).

Yes/No 5. Were realistic commodity/livestock yields used in preparation of the lenders cash flow budget?

For Non-ALP Lenders - The loan docket must contain borrower production history and the source of yields used in the budget must be clearly documented and be in accordance with FmHA Instruction 1980-B, Section 1980.113(d)(8).

For ALP Lenders - The County Supervisor must have documented in his/her analysis that the yields used are realistic and in line with normal yields in the area. If the County Supervisor could not document that the yields were in line with those normal for the area he/she will have obtained from the lender supporting documentation and borrower history showing that yields used were in accordance with FmHA Instruction 1980-B, Section 1980.113(d)(8).

Yes/No 6. Were realistic operating expense figures used to develop the cash flow budget?

For Non-ALP Lenders - Expense figures used in the budget will be based on the borrowers financial history which must be included in the docket. Expenses used will be in accordance with FmHA Instruction 1980-B, Section 1980.113(d)(8).

For ALP Lenders - The County Supervisor will have documented in his/her analysis that expenses used in the cash flow budget were realistic for the area and type of operation. If the County Supervisor could not document this, she/he will have required that the lender provide the borrowers financial history to document that expenses used were in accordance with FmHA Instruction 1980-B, Section 1980.113(d)(8).

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Yes/No — 7. Were realistic living expense figures used to develop the cash flow budget?

<u>For Non-ALP Lenders</u> - Living expense figures used in the budget will be based on the borrowers financial history which must be included in the docket. The reasons for significant deviation from historical living expenses will be documented in the file. Expenses used will be in accordance with FmHA Instruction 1980-B, Section 1980.113(d)(8).

<u>For ALP Lenders</u> - The County Supervisor will have documented in his/her analysis that living expenses used in the cash flow budget were realistic for the area and size of family. Or the lender will have provided the borrowers financial history to document that living expenses used were in accordance with FmHA Instruction 1980-B, Paragraph 1980.113(d)(8) and the reasons for significant deviation from historical living expenses will be documented in the file.

Yes/No/NA — 8. Are appraisals adequately documented to support the value of security being offered? (Non-ALP only)

FmHA Instruction 1980-B, Section 1980.113(d)(9), states that:

A. Real estate or chattel property that will serve as collateral for a loan/line of credit <u>will</u> be appraised. The lender is responsible for substantiating the appraiser's qualifications. The lender will obtain FmHA's concurrence that the appraiser has the necessary qualifications and experience <u>before</u> the lender will utilize the appraiser in any appraisal work. Appraisal reports may be on forms approved by the lender and/or Form FmHA 422-1, "Appraisal Report Farm Tract," and Form FmHA 440-21, "Appraisal of Chattel Property."

B. A real estate appraisal report <u>will</u> be based on at least two comparable sales made within 2 years. If the real estate has been appraised by FmHA or by a qualified appraiser within the last 12 months and if no significant changes in the market value of real estate have occurred in the area within the past 12-month period, a new appraisal does not have to be made.

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C. A current chattel appraisal is required when an initial loan is made and chattels are taken as security. The reviewer will check the docket to determine if the appraisals meet FmHA requirements. If the loan docket is from an ALP lender or if the loan docket is from a non-ALP lender who's only security is on growing crops, the reviewer will answer N/A.

If the appraisers qualifications are not adequately documented or the appraisal in the file is not adequately completed, the reviewer will answer no to this question. If all requirements are met, the reviewer will answer yes.

Yes/No/NA 9. If required, was a complete yearly analysis performed for INSURED BORROWERS receiving guaranteed loans? As set forth in FmHA Instruction 1924-B, Section 1924.60, all of the following must be included:

a) Completion of the "actual" columns on Form FmHA 431-2 and reconciliation of the balance available with debts paid and cash on hand at the end of the year.

b) Recording of the results on Form FmHA 1960-12, "Financial Farm Analysis Summary."

c) Thorough documentation of the analysis in the running case record (i.e., key management problems identified, agreements reached with the borrower and/or lender for corrective action, and follow-up action required).

For guaranteed borrowers without insured loans the reviewer will answer N/A. If an annual analysis was not required by FmHA Instruction 1924-B, Section 1924.60(d), the reviewer will answer N/A.

Yes/No 10. Was adequate security obtained for the loan?

For Non-ALP Lenders - The County Supervisor will have documented in his/her analysis that the proposed security is adequate and the docket will contain copies of appropriate security instruments indicating that the proper security interest has been perfected.

For ALP Lenders - The County Supervisor will have documented in his/her analysis that the proposed security is adequate.

Yes/No 11. Has the conditional commitment been properly prepared?

Yes/No 12. Has the lender accepted the conditions and certified that all conditions have been met, before the guarantee was issued?

Yes/No/NA 13. For loans with Interest Rate Buydown (IRB) does the loan docket contain documentation that all requirements of FmHA Instruction 1980-B, Exhibit D, Part IV have been met prior to issuance of the guarantee?

Of particular concern is that the County Supervisor has determined:

a) There is a need for the IRB in order to achieve a positive cash flow.
b) Non-essential assets have been or will be disposed of.
c) There is a positive cash flow projected after the buydown period.

The reviewer will answer N/A if the guaranteed loan does not include IRB.

Note: If you have answered NO to question #1, DO NOT complete the Credit Risk Factors.

Credit Risk Factors

14. The reviewer will obtain the following financial information from the docket.

A. Total Debts ____________________
B. Total Assets ____________________
Debt to Asset Ratio ______________
C. Total Planned Farm Operating Expenses (Excluding Interest, Rent and Taxes) __________
D. Interest Expense ______________
E. Rent Expense __________________
F. Tax Expense ___________________
G. Family Living Expense _________
H. Gross Farm Income __________
I. Operating Ratio C divided by H _________
J. Expense/Income Ratio (C+D+E+F) divided by H ________________
K. Interest to Income Ratio (D divided by H) __________

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L. Non-Farm Income ________________

M. Balance Available for Debt Repayment ____________

N. Total Debts to be Paid ________________

O. Cash Flow Margin (M divided by N)-1 ____________

(Note: These figures will be inputted into the tracking system database/spreadsheet and used to compute ratios and averages.)

Each question will be weighted equally.

SINGLE FAMILY HOUSING PROGRAM MANAGEMENT AND SERVICING GOALS THROUGH JUNE 30, 1991

INTRODUCTION

Goals help us focus on the mission of the SFH programs. As a management tool, the following priorities have been established to aid in the improvement of the delivery and quality of FmHA assistance:

- Improve underwriting measures for new loans.
- Implement the Rural Housing Guaranteed Loan Program.
- Graduate borrowers to private credit.
- Improve Servicing to assist borrowers in becoming successful homeowners.
- Improve service to underserved rural areas.
- Manage, maintain, and market inventory properties.
- Help eligible families with home ownership by fully using allocated funds.

EXPLANATION OF GOALS

Improve Loan Underwriting

States with a first-year delinquency percentage for initial loans above 4 percent are to reduce the percentage to 4 percent or less as of 6/30/91. States below 4 percent are to maintain delinquency at or below that level.

The National Office will provide each State with a monthly listing of first-year delinquent borrowers. Each month State Directors must evaluate the soundness of loanmaking by reviewing the first-year delinquencies. When this information indicates a problem, training or other appropriate corrective actions must be taken to improve loanmaking quality and reach the goal.

Implement the Rural Housing Guaranteed Program

Goals for rural housing guaranteed loan making will be established by an addendum when the program is funded.

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Graduate Borrowers to Private Credit

A major credit management goal is to have as many borrowers as possible graduate to private credit. The percentage of loans graduated compared to the loan portfolio continues to decline. Each State is expected to place increased emphasis on graduation and to have a monitoring system to assure that maximum success is obtained. States involved in the graduation pilot project are not exempt from diligently pursuing graduation of eligible borrowers who are not referred to the contractor. For the year ending June 30, 1991, each State is expected to graduate at least 5% of the cases eligible for review (borrowers listed on RC 860).

Improve Servicing to Assist Borrowers to Become Successful Homeowners

Emphasis must continue to be placed on effective servicing of problem accounts. Merely sending the borrower a servicing letter usually is not sufficient; such letters must be followed up in a timely manner to ensure borrower compliance. Results of program visits to several States show a dramatic reduction in actual delinquency rates when borrowers receive personal attention, such as telephone calls, office visits, and/or home visits. In addition to reducing the number of delinquent borrowers, we must also strive to reduce the dollars delinquent to minimize the Government's potential losses.

Use of unrealistic budgets to justify Additional Payment Agreements (APAs), moratoriums, and reamortizations is a major problem. We are not acting in the best interest of either the borrower or the Government when we approve an APA the borrower cannot possibly repay, if liquidation is a more feasible option. Borrowers in this situation should be encouraged to sell the dwelling when it is determined they will not be successful, pointing out any apparent equity. Unrealistic budgets are also one cause of the high delinquency rate for first-year borrowers.

Follow-up on accounts flagged Foreclosure Action Pending (FAP) and Bankruptcy Action Pending (BAP) is also lacking in many States. Each State should have a tracking system for these accounts. Borrowers whose accounts are flagged FAP and have small delinquent balances should be contacted to see if they are able to pay the account current and avoid foreclosure. Borrowers whose accounts are flagged BAP should occasionally be contacted through their attorney to determine the status of the bankruptcy. The appropriate servicing option should be provided if applicable. BAP flags should be removed promptly when the bankruptcy is closed or dismissed and servicing immediately resumed.

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States may wish to consider temporarily shifting resources from offices with manageable delinquency rates to offices with high delinquency rates. Also, annual payment borrowers who have been paying on a monthly basis should be converted to monthly pay status whenever possible.

Each State has been given an actual delinquency percentage goal for SFH monthly and annual payment borrowers to be achieved by June 30, 1991. These are considered realistic and attainable goals, and take into account that more time is required to reduce actual delinquency than serviced delinquency. Monthly and annual payment servicing goals have been established for each State using the following table and information from FmHA Report Code 581, "Rural Housing Monthly Payment Delinquency Report," and Report Code 583, "Rural Housing Annual Payment Delinquency Report," as of April 2, 1990.

Actual Delinquency Percentage Rate Goals

Category	Goal
1. Under 7.5	Maintain current level
2. 7.5% to 10.0%	March 31, 1990, report rate minus 10 percent
3. 10.1% through 20.0%	March 31, 1990, report rate minus 15 percent
4. 20.1% and above	March 31, 1990, report rate minus 20 percent

Note: Actual delinquency reduction goals for States with 50 or less annual payment borrowers have been established by determining the desired reduction in the number of delinquent borrowers and then converting that number to a percentage goal.

Improve Service to Underserved Areas

One of the Agency's objectives is to assist families living in underserved areas. Therefore, we are targeting both Section 502 and 504 reserve funds for underserved areas. This Rural Housing Targeting Demonstration Program (RHTDP) was implemented in FY-90 (FmHA Instruction 1940-L, Exhibit A, Attachment 2A). State Directors with targeted counties must emphasize assisting families in these areas and provide appropriate guidance and follow-up.

Manage, Maintain, and Market Inventory Property

Even though the number of inventory properties has decreased significantly during the past year, much of the reduction is attributed to the reduction in acquisitions. While this is a move in the right direction, additional emphasis is needed in the reduction of retention times. The goals for SFH inventory for the coming year are:

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Reduction Goals for Average Months Held:

Avg. Month Held 3/31/90	Program	Nonprogram
3 or less	-	-
3.1 to 6	-	5%
6.1 to 9	5%	15%
9.1 to 12	15%	30%
12.1 to 15	30%	45%
15.1 to 18	45%	60%
Over 18	60%	75%

States which have a retention time on June 30, 1991, of six months or less for program property and three months or less for non-program property will have met their retention time goals. We also project goals for the reduction of the number of properties in inventory for each State by June 30, 1990. The goal is the lower of:

1. Maintaining the current number of inventory properties; or
2. Reducing the number of inventory properties in proportion to the retention time reduction goal; or
3. Reducing the number of inventory properties halfway towards one percent of caseload.

A State will have met its inventory reduction goal if the number is below ten.

It is also a goal to have no program property in inventory on June 30, 1991, which was acquired before June 30, 1990, and no nonprogram property in inventory acquired before January 1, 1991, unless court action or another situation occurs which would preclude the FmHA from repairing, marketing and selling the property. Information about court action or other situations for specific properties should be submitted to the National Office, Attn: SFH/SPM Division, on June 30, 1991, for consideration for adjustment.

If vigorous marketing techniques are used; all program contracting authorities are used; transfers or other sales are encouraged; and deed in lieu of foreclosure policy is followed, we project the retention time goals will be met and the SFH inventory property level will be below 7,000 by June 30, 1991. Continued use of private sector services for securing, repairing, maintaining and selling inventory properties is essential.

Help Eligible Families With Home Ownership by Fully Using Allocated Funds

504 Loans and Grants

It is most important that State Directors emphasize the 504 RH loan program. Our review of the 504 RH program indicates there is a need to strengthen the "Budget and/or Financial Statement." Better budgeting will increase the use of 504 RH loan funds and save a considerable amount of grant funds for the more "truly needy."

Section 502 Loans

In FY-91, the goal is a uniform use of very low-income funds throughout the fiscal year. Goals are 20 percent - first quarter, 40 percent - second quarter, 70 percent - third quarter, and the balance in the fourth quarter.
States with high Farmer Program loan activity have a second quarter goal of 30 percent. The exhibit shown on page 9, contains the States' quarterly goals. The National Office will periodically report each State's progress in meeting the goals.

State Directors are encouraged to fully utilize available very low-income funds and to meet the Agency's objective in serving rural families through an effective outreach program in FY-91.

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Attachment B
Page 6

SINGLE FAMILY HOUSING ACTUAL DELINQUENCY SERVICING GOALS THROUGH JUNE 30, 1991

	MONTHLY BORROWERS DELINQUENT		ANNUAL BORROWERS DELINQUENT	
STATE	STATUS-RC 581 4/2/90-% DELQ.	GOAL-RC 581 6/30/91-% DELQ.	STATUS-RC 583 4/2/90-% DELQ.	GOAL-RC 583 6/30/91-% DELQ.
AL	13.6	11.6	14.3	12.2
AK	12.3	10.5	0.0	0.0
AZ	15.4	13.1	22.4	18.0
AR	16.4	14.0	23.1	18.5
CA	15.1	12.9	39.1	31.3
CO	19.2	16.4	22.2	17.8
CT	12.9	11.0	12.5	8.4
DE	19.1	16.3	12.5	12.5
FL	15.9	13.6	24.0	19.2
GA	24.0	19.2	27.2	21.8
HI	13.8	11.8	5.3	5.3
ID	15.8	13.5	28.3	22.7
IL	16.3	13.9	19.0	16.2
IN	19.0	16.2	26.6	21.3
IA	8.2	7.4	16.4	14.0
KS	13.0	11.1	13.5	11.5
KY	15.7	13.4	10.6	9.1
LA	30.9	24.8	41.8	33.5
ME	22.1	17.7	8.7	7.9
MD	15.5	13.2	12.7	10.8
MA	14.2	12.1	11.1	11.1
MI	17.2	14.7	27.7	22.2
MN	12.8	10.9	27.8	22.3
MS	21.0	16.8	20.8	16.7
MO	14.1	12.0	18.4	15.7
MT	14.7	12.5	21.7	17.4
NE	11.8	10.1	19.9	17.0
NV	12.8	10.9	22.2	11.1
NH	12.7	10.8	15.6	8.7
NJ	24.9	20.0	45.7	27.5
NM	23.4	18.9	15.2	13.0
NY	18.1	15.4	26.6	21.3
NC	9.3	8.4	12.7	10.8
ND	16.7	14.2	29.4	23.6
OH	19.3	16.5	29.4	23.6
OK	23.5	18.8	26.4	21.2
OR	13.5	11.5	20.2	16.2
PA	15.8	13.5	19.8	16.9
PR	23.9	19.2	21.0	16.8
RI	11.8	10.1	50.0	50.0
SC	18.3	15.6	25.1	20.1
SD	10.1	9.1	16.6	14.2
TN	17.7	15.1	22.5	18.0
TX	21.0	16.8	21.9	17.6
UT	20.0	17.0	21.2	17.0
VT	9.8	8.9	16.1	13.7
VA	20.8	16.7	19.3	16.5
VI	26.8	22.3	27.1	16.7
WA	9.3	8.4	24.5	19.6
WPT	11.8	10.1	NR	NR
WV	18.8	16.0	11.2	9.6
WI	18.5	15.8	28.0	22.4
WY	14.6	12.5	11.0	9.4

NR = Not reported

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SINGLE FAMILY HOUSING PROPERTY MANAGEMENT GOALS

ST	NUMBER OF INVENTORY 3/31/90 ACTUAL	NUMBER OF INVENTORY 6/30/91 GOAL	AVERAGE MONTHS HELD IN INVENTORY: PROGRAM 3/31/90 ACTUAL	PROGRAM 6/30/91 GOAL	NONPROGRAM 3/31/90 ACTUAL	NONPROGRAM 6/31/90 GOAL
AL**	226	186	9.9	8.4	16.2	6.5
AK	48	19	19.6	7.8	0.0	0.0
AZ	97	86	8.1	7.7	5.9	5.6
AR	316	281	6.1	5.8	7.3	6.2
CA	159	149	6.4	6.1	8.2	7.0
CO	201	135	15.9	8.7	22.0	5.5
CT	2	*	2.4	2.4	0.0	0.0
DE	12	11	9.9	8.4	2.4	2.4
FL	210	173	9.1	7.7	12.2	6.7
GA	327	282	9.0	8.6	8.2	7.0
HI	4	*	6.9	6.6	0.0	0.0
IA	35	34	7.0	6.7	4.8	4.6
ID	106	93	6.2	5.9	7.6	6.5
IL	135	128	6.4	6.1	5.9	5.6
IN	206	168	11.4	9.7	7.6	6.5
KS	92	79	6.2	5.9	6.4	5.4
KY	93	88	5.2	5.2	8.5	6.0
LA	640	421	10.7	9.1	8.5	7.2
MA	4	*	5.5	5.5	9.1	6.4
MD	18	17	11.3	9.6	4.9	4.7
ME	21	20	6.6	6.3	6.0	5.7
MI	141	134	9.0	8.6	6.0	5.7
MN	73	65	7.7	7.3	8.6	7.3
MO	213	200	6.3	6.0	6.1	5.2
MS	587	485	9.1	7.7	12.2	6.7
MT	101	69	10.6	9.0	9.1	6.4
NC	195	182	7.5	7.1	9.0	7.7
ND	183	119	8.3	7.9	8.6	7.3
NE	43	43	5.5	5.5	5.1	4.8
NH	5	*	0.0	0.0	7.6	6.5
NJ	41	30	12.3	8.6	6.6	5.6
NM	201	116	17.0	9.4	10.8	7.6
NV	8	*	11.8	10.0	0.0	0.0
NY	79	49	23.0	9.2	9.9	6.9
OH	116	70	17.5	9.6	8.4	7.1
OK	371	273	11.9	10.1	7.8	6.6
OR	89	88	4.4	4.4	6.7	5.7
PA	93	84	8.7	8.3	7.0	6.0
RI	0	*	0.0	0.0	0.0	0.0
PR	773	305	19.7	7.9	28.9	7.2
SC	371	350	6.5	6.2	6.9	5.9
SD	27	26	5.5	5.5	8.9	7.6
TN	276	259	6.6	6.3	6.5	5.5
TX	578	442	10.6	9.0	14.5	8.0
UT	64	62	5.1	5.1	2.6	2.6
VA	135	135	10.7	9.1	10.8	7.6
VI	4	*	39.4	15.8	0.0	0.0
VT	4	*	6.3	6.0	3.6	3.4

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WA	59	56	6.7	6.4	4.5	4.3
WI	112	103	6.7	6.4	6.9	5.9
WP	3	*	6.7	6.4	2.0	2.0
WV	157	141	5.8	5.8	8.4	7.1
WY	69	68	5.2	5.2	3.6	3.4

** Non-Class Action inventory properties only.

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FY-91 SECTION 502 VERY LOW-INCOME OBLIGATION GOALS *
(dollars in thousands based on FY-90 allocations)

STATE	GOAL 20% 12/31/90	GOAL 40% 3/31/91	GOAL 70% 6/30/91
ALABAMA	2,458	4,917	8,604
ARIZONA	923	1,846	3,231
ARKANSAS	1,835	3,670	6,423
CALIFORNIA	3,354	6,708	11,739
COLORADO	804	1,609	2,815
CONNECTICUT	681	1,362	2,383
DELAWARE	224	449	785
FLORIDA	2,334	4,669	8,170
GEORGIA	3,168	4,752 **	11,088
IDAHO	624	1,247	2,183
ILLINOIS	2,738	4,107 **	9,582
INDIANA	2,537	3,805 **	8,879
IOWA	1,636	2,453 **	5,725
KANSAS	1,224	1,836 **	4,285
KENTUCKY	2,867	4,301 **	10,035
LOUISIANA	2,143	4,286	7,500
MAINE	928	1,856	3,249
MARYLAND	1,050	2,100	3,675
MASSACHUSETTS	1,136	2,271	3,975
MICHIGAN	3,207	6,414	11,225
MINNESOTA	1,869	2,804 **	6,542
MISSISSIPPI	2,136	3,204 **	7,476
MISSOURI	2,294	3,441 **	8,029
MONTANA	530	1,059	1,854
NEBRASKA	782	1,172 **	2,736
NEVADA	188	375	657
NEW HAMPSHIRE	569	1,138	1,991
NEW JERSEY	902	1,805	3,158
NEW MEXICO	762	1,525	2,668
NEW YORK	3,213	6,426	11,246
NORTH CAROLINA	4,312	6,469 **	15,093
NORTH DAKOTA	443	664 **	1,550
OHIO	3,738	5,608 **	13,084
OKLAHOMA	1,569	2,354 **	5,492
OREGON	1,286	2,571	4,500
PENNSYLVANIA	4,455	8,909	15,591
RHODE ISLAND	142	285	498
SOUTH CAROLINA	2,186	4,372	7,652
SOUTH DAKOTA	542	814 **	1,898
TENNESSEE	2,714	4,072 **	9,500
TEXAS	4,824	7,236 **	16,884
UTAH	356	712	1,245
VERMONT	445	890	1,557
VIRGINIA	2,734	5,468	9,569
WASHINGTON	1,510	3,020	5,285
WEST VIRGINIA	1,766	3,531	6,180
WISCONSIN	2,185	3,278 **	7,647
WYOMING	317	634	1,109
ALASKA	338	676	1,183
HAWAII	307	613	1,073
W. PACIFIC AREAS	690	1,380	2,414
PUERTO RICO	5,786	11,573	20,252
VIRGIN ISLANDS	254	508	890
STATE TOTALS	92,015	163,244	322,054

* The actual obligation goals will be based on FY-91 allocations when known, but the percentage goals will remain unchanged.

** Second quarter goal for these States is adjusted to recognize the high farm loan making activity.

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MULTIPLE FAMILY HOUSING PROGRAM MANAGEMENT GOALS
THROUGH JUNE 30, 1991

INTRODUCTION

Goals help us manage the processing of applications with an overall objective to maximize the use of RRH funds in areas of need and to better manage our existing portfolio to assure that all available servicing tools are being used.

-Improvement in underwriting that is more in keeping with procedures and policy.

-Reduction in accounts two or more years delinquent.

-Improve the capability of remote and underserved rural communities where low and very low income people live to participate in the program.

-Disposal of all inventory properties that have been in inventory for six months or more.

-Increase the effort to implement development cost containment.

-Assure that contract appraisals are being done in all states and that FmHA review appraisers are thoroughly qualified and trained.

-Reduction in delinquency percentages.

-Correcting servicing deficiencies, such as debt settlement, rebuilding insufficient reserve account levels, correcting deferred maintenance, reducing vacancies, correcting real estate tax deficiencies, obtaining and reviewing annual reports, audits and budgets and making supervisory visits.

-Improved management to the Housing Preservation Program.

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EXPLANATION OF GOALS

Improvement and timeliness in implementing underwriting activities that is more in keeping with procedures and policy

Market feasibility needs to be determined early in the preapplication stage and should be based on appropriate market studies coupled with documented knowledge of the market area from the field staff. All dockets, whether they are approved for funding or disapproved, must contain thorough documentation supporting whatever decision is reached. Incomplete preapplications are to be returned to applicant(s) immediately, detailing what items are missing.

Loan making activities should be carefully planned so that both RRH and LH loan funds are used throughout the year. PLEASE DO NOT DELAY OBLIGATING LOAN FUNDS. ALSO, DOCKETS NEEDING NATIONAL OFFICE AUTHORIZATION AND/OR REVIEW SHOULD BE SENT TO THE NATIONAL OFFICE EARLY IN THE YEAR. Only dockets that have been thoroughly reviewed, documented and recommended by the State Director will be considered for National Office Review. Dockets which do not have the proper environmental reviews completed will NOT be reviewed by the National Office.

Reduction in accounts two or more years delinquent

Each State Office will receive a quarterly printout from the Finance Office showing those accounts delinquent two or more years. State Directors will submit a "Delinquency Action Plan" for each delinquent account shown on the report per the unnumbered letter dated December 11, 1989. The plans will be submitted to the National Office within 45 days from the ending date of each quarter.

Improve the capability of remote and underserved rural communities where low and very low income people live to participate in the program

Each State needs to be cognizant of those underserved rural areas of the State where the need for housing by very low and low income persons is the greatest and to assure that the program is reaching those areas. Proposed sites should be analyzed on a community-by-community basis to assure that customary services are available and adequate.

In FY 1991, a portion of the RRH reserve will once again be established for underserved areas. State will need to place special emphasis on the utilization of these special targeted funds and provide appropriate guidance and follow-up to District Offices having targeted areas within their respective jurisdictions.

<u>Disposal of all inventory properties in inventory for more than six months</u>

State offices should review their inventory property portfolio and take necessary actions to effectively dispose of these properties by the end of Fiscal Year 1991.

Any property in inventory should be managed and made ready for sale in the most expeditious manner using the authorities contained in FmHA Instruction 1955-B and C. The National Office should be contacted for assistance in the sale of a property experiencing marking difficulties.

For individual LH units being serviced in the County Office, the District Director should provide the assistance necessary to enable the County Supervisor to effectively manage the property.

<u>Increased effort to implement development cost containment policy</u>

Cost containment is still of great importance and every effort should be made to assure we are meeting this objective. The National Office has developed a Regional Cost Analysis Database. This information resource will be most helpful and beneficial when reviewing costs, both "hard" and "soft", for the RRH and LH programs.

<u>Assure that appraisals are being done by contact appraisers and that FmHA review appraisers are thoroughly qualified and trained</u>

Contract appraisal authority has been given each State; therefore, each State needs to make sure its review appraisers are thoroughly trained so that adequate monitoring and reviews of appraisals can be properly completed.

Reduction in delinquency percentages

Those States with delinquency rates at 4% or less are to continue to service their accounts in a manner enabling them to maintain the present level of current accounts. These States need to provide extra attention and guidance to District Offices with delinquencies exceeding the National average.

States with delinquency averages between 5% and 10% are expected to lower their percentage of delinquencies to the National average.

States with delinquencies in excess of 10% must implement delinquency reduction plans that will result in a decrease to ten percent or less. The National Office will monitor progress made in these States to assure that all available servicing tools are being used.

The National Office will provide quarterly updates to the State Offices, which will include a goals progress status report and any necessary recommendations for corrective action. Attached as pages 7 and 8 is a copy of the type of status report you will receive quarterly.

Correcting servicing deficiencies

Each District Office will continue to classify delinquent accounts and submit a delinquency plan to the State Office in accordance with FmHA Instruction 1965-B, section 1965.85 (b) (1). In addition, District Offices must submit the information shown on pages 5 and 6 to the State Office.

The State Office will submit the state summary to the National Office, using the format contained in pages 5 and 6. The initial report will be based on the 6-30-90 delinquency report and will be due in the National Office by August 15, 1990. Quarterly updates will be submitted to the National Office within 45 days from the ending date of the corresponding quarter.

Improved management of the Housing Preservation Program

Consistent, thorough, and well documented reviews are essential. Quarterly monitoring is needed to assure that funds are being utilized by grantees in a proper manner. Funds should not be advanced or reimbursed if quarterly reports have not been completed by the grantees.

SUBJECT: Servicing Report
State of ____________________ Date: ______________

TO: Administrator
Farmers Home Administration
Washington, D.C.

ATTENTION: Multiple Housing Servicing
and Property Management Division

SECTION I - RURAL RENTAL HOUSING (RRH)	Quarter Ending 6-30-90	Quarter Ending 9-30-90	Quarter Ending 12-31-90	Quarter Ending 3-31-91	Quarter Ending 6-30-91
1. Accounts in foreclosure	______	______	______	______	______
2. Accounts in bankruptcy	______	______	______	______	______
3. Charge-off planned or in process	______	______	______	______	______
4. Projects delinquent (not in litigation); Servicing Plan needed	______	______	______	______	______
5. Finance Office and District Office Records do not agree; audit needed	______	______	______	______	______
6. Finance Office processing needed	______	______	______	______	______
7. All servicing options explored, Problem Case Report to be prepared	______	______	______	______	______
8. Number of District Offices with delinquency percentage above 4%	______	______	______	______	______
9. State Vacancy Percentage	______	______	______	______	______
10. Number of District Offices with vacancy percentage above 10%	______	______	______	______	______
11. Number of 1988 and 1989 annual reports not received	______	______	______	______	______
12. Number of annual reports received, but not reviewed	______	______	______	______	______
13. Number of 1988 and 1989 annual analysis sent to State Office, but not reviewed by State Office	______	______	______	______	______
14. Number of 1990 budgets not received	______	______	______	______	______
15. Number of 1990 budgets received, not reviewed	______	______	______	______	______
16. Number of supervisory visits delinquent (last visit is over 3 years old)	______	______	______	______	______

	Quarter Ending 6-30-90	Quarter Ending 9-30-90	Quarter Ending 12-31-90	Quarter Ending 3-31-91	Quarter Ending 6-30-91
SECTION II - LABOR HOUSING (LH)					
1. Accounts in Foreclosure	______	______	______	______	______
2. Accounts in bankruptcy	______	______	______	______	______
3. Debt settlement planned	______	______	______	______	______
4. Projects delinquent (not in litigation); Servicing Plan needed	______	______	______	______	______
5. Finance Office and District Office records do not agree; audit needed	______	______	______	______	______
6. Finance Office processing needed	______	______	______	______	______
7. All servicing options explored, Problem Case Report to be prepared	______	______	______	______	______
8. Number of 1988 and 1989 annual reports not received	______	______	______	______	______
9. Number of 1988 and 1989 annual reports received, not reviewed	______	______	______	______	______
10. Number of 1988 and 1989 annual analysis sent to State Office, but not reviewed by State Office	______	______	______	______	______
11. Number of 1990 budgets not received	______	______	______	______	______
12. Number of 1990 budgets received, but not reviewed	______	______	______	______	______
13. Number of supervisory visits delinquent (last visit is over 3 years old)	______	______	______	______	______

COMMENTS:

____
Signature

____
Title

MULTIPLE FAMILY HOUSING PORTFOLIO
DELINQUENCY STATUS REPORT FOR QUARTER ENDING APRIL 30, 1990

	RURAL RENTAL HOUSING				LABOR HOUSING				TOTAL
STATE OFFICE	ACTIVE CASELOAD	NO. DELQ.	PCNT DELQ.	NO.DELQ. 2 YRS.+	ACTIVE CASELOAD	NO. DELQ.	PCNT. DELQ.	NO. DELQ. 2 YRS.+	PROGRAM % DELQ.
ALABAMA	479	16	3	4	10	1	10	1	3
ALASKA	34	0	0	0	0	0	0	0	0
ARIZONA	91	6	7	0	14	0	0	0	7
ARKANSAS	285	8	3	1	293	20	7	11	5
CALIFORNIA	366	4	1	1	55	2	4	2	2
COLORADO	138	7	5	3	1	0	0	0	5
DELAWARE	155	0	0	0	6	1	17	0	1
FLORIDA	360	16	4	2	17	0	0	0	4
GEORGIA	373	10	3	0	2	0	0	0	3
HAWAII	18	0	0	0	49	4	8	0	6
IDAHO	209	1	0	1	12	0	0	0	0
ILLINOIS	726	20	3	0	2	0	0	0	3
INDIANA	554	29	5	4	1	1	100	1	5
IOWA	955	14	1	3	0	0	0	0	1
KANSAS	387	13	3	3	1	1	100	1	4
KENTUCKY	322	1	0	0	1	0	0	0	0
LOUISIANA	318	20	6	5	61	10	16	6	8
MAINE	328	0	0	0	13	0	0	0	0
...SSACHUSETTS	121	1	1	0	11	0	0	0	1
HIGAN	578	8	1	3	117	5	4	4	2
...NNESOTA	746	11	1	2	1	0	0	0	1
MISSISSIPPI	437	21	5	3	225	52	23	37	11
MISSOURI	943	9	1	0	0	0	0	0	1
MONTANA	170	4	2	0	3	0	0	0	2
NEBRASKA	254	3	1	2	3	0	0	0	1
NEVADA	63	4	6	0	0	0	0	0	6
NEW JERSEY	74	3	4	0	12	3	25	3	7
NEW MEXICO	75	4	5	0	2	0	0	0	5
NEW YORK	373	12	3	6	22	0	0	0	3
NORTH CAROLINA	499	1	0	1	14	2	14	2	1
NORTH DAKOTA	362	11	2	3	2	0	0	0	3
OHIO	355	18	5	8	2	1	50	1	5
OKLAHOMA	276	38	14	3	6	2	33	2	14
OREGON	189	6	3	4	15	2	13	0	4
PENNSYLVANIA	258	6	2	1	1	0	0	0	2
PUERTO RICO	50	4	8	0	0	0	0	0	8
SOUTH CAROLINA	304	9	3	4	71	14	20	9	6
SOUTH DAKOTA	591	11	2	5	2	0	0	0	2
TENNESSEE	360	15	4	4	81	7	9	3	5
TEXAS	710	90	13	32	26	1	4	1	12
UTAH	89	9	10	3	2	0	0	0	10
VERMONT	139	3	2	1	89	2	2	1	2
VIRGINIA	195	6	3	1	6	0	0	0	3
WASHINGTON	274	4	1	1	24	1	4	1	2
WEST VIRGINIA	230	13	6	3	1	1	100	0	6
..SCONSIN	592	19	3	5	9	1	11	1	3
MING	64	2	3	0	0	0	0	0	3
NATIONAL TOTALS	15469	510	3	122	1284	133	10	87	4

INVENTORY STATUS REPORT
FOR QUARTER ENDING APRIL 30, 1990

RURAL RENTAL HOUSING

STATE	PROJECT NAME	DATE ACQ.	NO. UNITS	MOS.IN INVENT
ARZ	George Ireland	1/89	12	15
ARK	Herbert C. Brown	4/89	8	11
	Herbert C. Brown	4/89	10	11
COL	Conver Inc.	1/88	10	27
IND	Bakenbell Inc.	7/85	22	56
LOU	Baldwin Apts.	12/88	10	16
MIC	Dale Tillman	7/88	6	21
MIS	Richland Apts	11/87	48	29
NEB	Lewis H. Dunn	11/89	8	4
NM	San Jon Houisng	5/88	8	23
NY	Agperlov Homes Inc	2/88	16	15
	Kenneth Kligerman	8/89	28	8
OKL	George Streets	11/87	14	29
TEX	Hearthstone Inc	12/89	10	4
	Amherst Housing	3/90	9	1
UTAH	Dick K. Jones	6/89	1	8
	Dick K. Jones	6/89	1	8
TOTAL	17		221	

LABOR HOUSING

STATE	PROJECT NAME	DATE ACQ.	NO. UNITS	MOS.IN INVENT
ARK	Zim Norman Halk	1/89	1	15
LOU	Ronald J. Juneau	5/89	2	10
MIS	Lamar M. Dearing	7/89	1	8
	Fioranelli Bros.	4/88	3	23
	J. P. Fisher	6/89	2	8
	Webb G. Carter	6/88	4	21
	JMJ Housing Inc	12/88	4	15
	Pecan Bayou Dev.	5/89	5	10
	Ruri Mar Daily	3/89	10	12
	Billy J. Wilson	5/85	1	58
S.CAR	J.H. Montgomery Jr	6/89	1	9
TEX	Cypress City Agri	9/88	40	18
	12		74	

COMMUNITY PROGRAMS PROGRAM MANAGEMENT AND SERVICING GOALS THROUGH JUNE 30, 1991

INTRODUCTION

Today's challenge serves to emphasize the importance of clearly defined goals if Community Programs (CP) is to continue its record of effective service to rural America. To that end, we have established goals for administering Community Programs through June 30, 1991, with the following order of priority:

- Guaranteed Loanmaking
- Graduation
- Loan Servicing
- Insured Loanmaking

EXPLANATION OF GOALS

CP Guaranteed Loanmaking

We expect guaranteed Community Program funds to be fully utilized for sound, economically feasible projects. Full implementation and use of this additional rural development program is an agency priority. With respect to Fiscal Year 1991 funding, each State is to process to the point of approval, and if funds are available, to approve two quality Community Program guaranteed loans preferably one using Community Facility funds and one using Water and Waste Disposal funds.

CP Graduation

State Directors must continue to emphasize thorough implementation of the graduation review process set forth in FmHA Instruction 1951-F. Complete documentation of all actions regarding the review and graduation of Community Programs borrowers is a must.

FmHA AN No. 2069 (1951), dated March 16, 1990, provided worksheets for documenting lender contacts and thorough reviews.

These worksheets are designed to provide FmHA personnel with current information, in sufficient detail, that an accurate and supportable determination of a borrower's ability to graduate can be made. It is expected that these worksheets, or formats containing similar documentation, will be utilized.

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State Directors will monitor the graduation review process closely to ensure that the State timetable for such reviews is being met and that the determinations made are fully supported by appropriate documentation.

CP Loan Servicing

Good loan servicing begins at the time a loan is obligated. It is the responsibility of FmHA to provide management assistance which will ensure borrower success and compliance with appropriate FmHA instructions.

The FmHA servicing official will review and approve each borrower's accounting and financial reporting system prior to loan closing or start of construction whichever occurs first. Borrowers are to be closely monitored to assure that management reports are prepared in accordance with FmHA Instruction 1942-A, section 1942.17(q)(2). The initial review of the borrower's records and accounts will be made in accordance with section 1942.17(r)(1)(ii)(A). Subsequent reviews will be made for all delinquent borrowers and other borrowers having financial problems on at least a quarterly basis in accordance with section 1942.17(r)(1)(ii)(B).

The servicing official will ensure that all borrowers are promptly and properly notified of the amount and due date of payments. Furthermore, the servicing official will be responsible for monitoring the timely receipt of payments. All available servicing tools should be used in servicing delinquent and/or problem case accounts in accordance with applicable FmHA instructions.

In cases where multiple advances are used, the servicing official should review the Cl Status screen on the Automated Discrepancy Processing System, and Report Code 584, "Listing of Accounts with Bond Payments Due," to verify that all multiple advances have been properly accounted for and the correct amount due is collected.

Delinquency goals established for each State are attached. We believe these goals are realistic and attainable through proper application of the servicing tools provided in applicable instructions.

In establishing 1991 delinquency goals for Water and Waste Disposal borrowers, consideration was given to States with "hard core" delinquent borrowers which have been properly serviced, along with delinquent borrowers where legal action is pending.

In establishing the delinquency goals for Community Facilities, Recreation, Watershed, Indian Tribal Land Acquisition, Shift-in-Land Use (Grazing), Irrigation and Drainage, Unincorporated EO Cooperative and Resource Conservation and Development borrowers, each delinquent account was reviewed and a decision made regarding the goals for each State. History of the delinquency and the amount of delinquency are the major factors considered in reviewing the accounts.

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Accounts with small delinquencies are expected to be paid current. Closer review and confirmation of billings must be done before notifying borrowers of amounts due for the year. Borrowers who have a delinquency but are making progress should be considered for reamortization. Those delinquent borrowers who have tax levying authorities should be encouraged to use those authorities in bringing their account to a current status.

CP Insured Loanmaking

Community Program funds are allocated to each State based on formulas which provide an equitable distribution of funds. Each State Director is expected to use available program funds, personnel resources and approved contract services in line with sound loanmaking practices to provide financial assistance in rural areas and further the USDA rural development initiative. State Directors are encouraged to take action to promptly process eligible preapplications/applications and develop an effective public information program. Loan priority criteria stated in FmHA Instruction 1942-A, section 1942.17(c), should be given careful consideration in selecting projects for funding.

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WATER AND WASTE DISPOSAL AND COMMUNITY FACILITIES GRADUATION GOALS
AS OF JUNE 30, 1991

	NUMBER OF LOANS TO BE REVIEWED	GRADUATION GOAL
ALABAMA	73	3
ARIZONA	23	1
ARKANSAS	140	7
CALIFORNIA	145	7
NEVADA	14	1
COLORADO	72	3
DELAWARE	0	0
MARYLAND	2	1
FLORIDA	88	4
GEORGIA	56	2
IDAHO	115	5
ILLINOIS	73	3
INDIANA	76	3
IOWA	60	3
KANSAS	31	1
KENTUCKY	85	4
LOUISIANA	192	9
MAINE	19	1
MASSACHUSETTS	24	1
CONNECTICUT	5	1
RHODE ISLAND	0	0
MICHIGAN	39	1
MINNESOTA	44	2
MISSISSIPPI	423	21
MISSOURI	86	4
MONTANA	41	2
NEBRASKA	29	1
NEW JERSEY	18	1
NEW MEXICO	36	1
NEW YORK	60	3
NORTH CAROLINA	140	7
NORTH DAKOTA	35	1
OHIO	53	2
OKLAHOMA	114	5
OREGON	117	5
PENNSYLVANIA	64	3
SOUTH CAROLINA	94	4
SOUTH DAKOTA	93	4
TENNESSEE	95	4
TEXAS	286	14
UTAH	45	2
VERMONT	22	1
NEW HAMPSHIRE	7	1
VIRGIN ISLANDS	0	0
VIRGINIA	33	1
WASHINGTON	54	2
WEST VIRGINIA	78	3
WISCONSIN	40	2
WYOMING	40	2
ALASKA	0	0
HAWAII-AM.SAMOA	0	0
W PACIFIC TERR.	0	0
PUERTO RICO	35	1
NATIONAL TOTAL	3514	160

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COMMUNITY FACILITIES DIVISION DELINQUENCY SERVICING GOALS AS OF JUNE 30, 1991

	CF 6/30/91 GOAL	REC 6/30/91 GOAL	WS 6/30/91 GOAL	RC&D 6/30/91 GOAL	IND. TRIB. 6/30/91 GOAL	EO COOP. 6/30/91 GOAL	I & D 6/30/91 GOAL	GRAZING 6/30/91 GOAL
ALABAMA	1							
ARIZONA								
ARKANSAS	1							
CALIFORNIA	1							
NEVADA								
COLORADO								
DELAWARE								
MARYLAND								
FLORIDA								
GEORGIA								
IDAHO							4	2
ILLINOIS	2							
INDIANA								
IOWA								
KANSAS					1			
KENTUCKY								
LOUISIANA	2							
MAINE								
MASSACHUSETTS								
CONNECTICUT								
RHODE ISLAND								
MICHIGAN	1		1					
MINNESOTA								
MISSISSIPPI								
MISSOURI		1						
MONTANA				1				3
NEBRASKA								1
NEW JERSEY								
NEW MEXICO				2			1	2
NEW YORK	1							
NORTH CAROLINA								
NORTH DAKOTA								
OHIO								
OKLAHOMA	1	1						1
OREGON		1						
PENNSYLVANIA								
SOUTH CAROLINA								
SOUTH DAKOTA							3	
TENNESSEE	1	1		1				
TEXAS	6	2						1
UTAH								
VERMONT								
NEW HAMPSHIRE								
VIRGIN ISLANDS								
VIRGINIA								
WASHINGTON		1		1				
WEST VIRGINIA	1							
WISCONSIN								
WYOMING								
ALASKA								
HAWAII-AM.SAMOA							2	
W PACIFIC TERR.								
PUERTO RICO								
NATIONAL TOTAL	18	7	1	5	1	0	10	10

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Water and Waste Disposal Servicing Goals
Through June 30, 1991

	Goal 6/30/91
Alabama	2
Arizona	0
Arkansas	1
California	2
Colorado	0
Delaware	0
Maryland	0
Florida	0
Georgia	1
Idaho	0
Illinois	2
Indiana	2
Iowa	2
Kansas	3
Kentucky	1
Louisiana	3
Maine	0
Massachusetts	0
Connecticut	0
Rhode Island	0
Michigan	0
Minnesota	0
Mississippi	1
Missouri	0
Montana	1
Nebraska	0
New Jersey	0
New Mexico	1
New York	1
North Carolina	0
North Dakota	0
Ohio	0
Oklahoma	4
Oregon	0
Pennsylvania	3
South Carolina	0
South Dakota	0
Tennessee	2
Texas	5
Utah	0
Nevada	0
Vermont	0
New Hampshire	0
Virgin Islands	0
Virginia	1
Washington	0
West Virginia	3
Wisconsin	0
Wyoming	0
Alaska	0
Hawaii	0
W. Pacific Terr	0
Puerto Rico	0
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BUSINESS AND INDUSTRY LOAN GUARANTEE PROGRAM MANAGEMENT AND SERVICING GOALS THROUGH JUNE 30, 1991

INTRODUCTION

Specific plans must be established to achieve the Farmers Home Administration (FmHA) Business and Industry (B&I) mission. Heavy emphasis should be placed on loan servicing.

EXPLANATION OF GOALS

Loan Servicing and Supervision

B&I guaranteed loan delinquency rates as of March 31, 1990, decreased nationally by 1.3 percent over the same period 1 year ago, and we need to continue to enhance our servicing efforts. The reduction in the number of delinquent B&I borrowers and the prevention of delinquencies continue to be a high priority for the Business and Industry program. Taking these factors into consideration, the attached table reflects the June 30, 1991, goal for number of delinquent borrowers. Recommended actions within the State to meet the established goals include:

- Assign sufficient staff to accomplish servicing actions.
- Confine appropriate staff to specific servicing activities.
- "Earmark" definite travel funds to accomplish needed servicing field trips.
- Establish realistic objectives, tasks and scheduling to work toward meeting and exceeding the delinquency goals for your State.
- Work closely with lenders as they service loans in bankruptcy or liquidate loans to maximize recovery.
- Require regular field trips, lender interviews and site inspections by Chief and/or Specialist on problem and delinquent accounts.

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- Review monthly the progress being made and document properly.

- Require the lender to meet its servicing responsibilities, especially during bankruptcy and other problems.

- As required by FmHA Instruction 1980-E, section 1980.497(a), seek the early advice of the Regional Attorney on all bankruptcy cases, workouts and liquidations.

- Require lenders to provide a specific plan of action to resolve delinquent loans and monitor their activities.

- Utilize financial statements, loan classification, financial ratios and industry averages and other tools available as early warning signals to spot and resolve delinquencies early.

<u>The methodology used in establishing goals for individual State Offices includes</u>:

- The type of portfolio and the economics involved in the State.

- State delinquency as compared to National delinquency rate.

We expect to see a marked reduction in the number of delinquent loans within the next 12 months. The reductions are reflected as goals in the attached table. You are expected to review these goals and take appropriate action to assure they are met or surpassed.

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BUSINESS AND INDUSTRY PROGRAM MANAGEMENT AND SERVICING GOALS

State Office	Delinquency Goals For 06/30/91 In # Of Borrowers Not To Exceed
Alabama	0
Alaska	2
Arizona	1
Arkansas	4
California	0
Colorado	4
Del./Md.	0
Florida	1
Georgia	6
Hawaii	0
Idaho	1
Illinois	2
Indiana	2
Iowa	1
Kansas	3
Kentucky	4
Louisiana	17
Maine	2
Mass./Conn./R.I.	0
Michigan	6
Minnesota	0
Mississippi	4
Missouri	1
Montana	2
Nebraska	0
New Jersey	0
New Mexico	2
New York	3
N. Carolina	4
North Dakota	2
Ohio	4
Oklahoma	6
Oregon	1
Pennsylvania	0
Puerto Rico	8
S. Carolina	7
South Dakota	2
Tennessee	4
Texas	20
Utah/Nevada	0
Vt./N.H./V.I.	1
Virginia	0
Washington	0
W. Virginia	9
Wisconsin	4
Wyoming	2
TOTAL	142